

Message Text

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ACTION NEA-07

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E.O. 11652: N/A
TAGS: ENRG, EINV, US, BG
SUBJECT: US FIRM SIGNS LETTER OF INTENT LOOKING TO INVESTMENT IN
LNG PLANT

SUMMARY: THE BDG COUNCIL OF ADVISERS APPROVED DECEMBER 28
SIGNATURE OF A LETTER OF INTENT WITH INTERNATIONAL
SYSTEMS AND CONTROLS OF HOUSTON TO CONDUCT A WELL-
DRILLING APPRAISAL OF THE BAKHRABAD GAS FIELD. IF THAT
GAS FIELD PROVES LARGE ENOUGH, THE US FIRM EXPECTS (IN
PERHAPS NINE MONTHS TIME) TO CONTRACT WITH THE BDG TO
PROCESS AND EXPORT LIQUIFIED NATURAL GAS TO THE US
AND/OR JAPAN OVER TWENTY YEARS BEGINNING ABOUT 1981.
THE PROSPECTIVE INVESTMENT UNDER THE PROPOSED CONTRACT
WILL BE \$800 MILLION; THE TWENTY ANNUAL PAYMENTS TO
BANGLADESH (BEGINNING ABOUT 1981) APPROACHING \$200
MILLION. THE COMPANY HAS ASKED THAT NO RPT NO PUBLICITY
BE GIVEN THIS INVESTMENT. THE INVESTMENT WOULD AMOUNT
TO ONE-EIGHT OF THE PRESENT GDP OF BANGLADESH AND
INCREASE FOREIGN EXCHANGE EARNINGS BY AT LEAST ONE-THIRD
TO ONE-HALF ANNUALLY. END SUMMARY.

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2. BACKGROUND. THE BDG COMMISSIONED THE US FIRM DEGOUL-
YER AND MCNOUGHTON IN 1975 TO SURVEY THE BAKHRABAD GAS
FIELD TO DETERMINE IF THE RESERVES OF NATURAL GAS WERE
SUFFICIENTLY LARGE TO MERIT CONSTRUCTION OF AN LNG PLANT.
DEGOULYER AND MCNOUGHTON, A US PETROLEUM ENGINEERING FIRM,
SPECIALIZES IN CERTIFYING GAS AND OIL RESERVES AND, IN
FACT, HAD A REPRESENTATIVE IN BANGLADESH IN 1975 ABOUT

WHOSE ACTIVITIES PETROBANGLA WAS VERY "SECRETEIVE," ACCORDING TO A US OIL EXPLORATION COMPANY EXECUTIVE HERE. ON THE REQUEST OF THE BDG, DEGOULYER AND MCNOUGHTON RECOMMENDED ISC. ON THE BASIS OF DEGOULYER AND MCNOUGHTON'S REPORT, ISC HAD THEN ENTERED INTO NEGOTIATIONS WITH PETROBANGLA CONCERNING DEVELOPMENT OF THE BAKHRABAD (NEAR COMILLA) GAS FIELD, AS A RESOURCE FOR AN LNG PLANT.

3. NEGOTIATING HISTORY. ISC BEGAN NEGOTIATIONS IN 1976 AND THESE CULMINATED WITH THE DECEMBER VISIT OF ALGERIA BY DCMLA A.G. MAHMOOD TO INSPECT AN ISC NATURAL GAS AND LNG PROJECT HERE. DONALD L. WHITLEY LEFT A SIGNED COPY OF THE LETTER OF INTENT FOR ISC IN DACCA BOUT DECEMBER 21 AND THE COUNCIL OF ADVISERS APPROVED DECMEMBER SIGNATURE BY PETROBANGLA FOR THE BDG. SIGNATURE OF THE LETTER OF INTENT WILL ALLOW ISC TO ORGANIZE A CONSORTIUM (INVOLVING SPANISH AND JAPANESE INTERESTS AS WELL AS PETROBANGLA) TO DEVELOP THE BAKHRABAD FIELD AS A SOURCE OF NATURAL GAS FOR AN LNG PLANT. ISC HAS HAD PREVIOUS EXPERIENCE IN ALGERIA, IN IRAN, AND THE US WITH SIMILAR LNG PROJECTS.

4. ISC PLANS. ACCORDING TO WHITLEY, INITIAL PLANS ARE TO DRILL THREE WELLS WITH EQUIPMENT SHIPPED IN FROM SINGAPORE. THESE WELLS WILL MORE FIRMLY ESTABLISH THE SIZE OF THE BAKHRABAD FIELD, A NECESSARY STEP IN PERSUADING OTHER FIRMS TO JOIN IN A CONSORTIUM, AND TO OBTAIN FINANCING. AFTER THAT A PIPELINE WILL BE CONSTRUCTED FROM THE FIELD TO CHITTAGONG WHERE THE NLG PLANT WILL

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BE CONSTRUCTED. THE ENTIRE PROJECT (A JOINT VENTURE WITH THE BLDG) WILL COST \$800 MILLION, OF WHICH ISC PLANS TO PROVIDE 15 PERCENT. ISC WILL ALSO LEAD AND MANAGE THE CONSORTIUM AND HAVE FULL MANAGEMENT CONTROL OVER THE PLANT AND THE ENTIRE OPERATION. PETROBANGLA WILL SUPPLY THE GAS WITH A GUARANTEE TO MAKE AVAILABLE 500 MILLION CUBIC FEET PER DAY FOR 20 YEARS, PLUS SOME OTHER RAW MATERIALS, WHILE OTHER CONSORTIUM MEMBERS WILL SUPPLY MANAGEMENT, PERSONNEL, TECHNOLOGY, AND FINANCING. OUTPUT IS TO BE SHIPPED TO THE US OR JAPAN. FOREIGN EMPLOYMENT WILL BE ABOUT 20 PEOPLE WITH THE DRILLING PORTION OF THE OPERATION AND 15 TO 20 SENIOR MEMBERS OF 300 PEOPLE EMPLOYED AT THE COMPLETED LNG PLANT IN CHITTAGONG. CONSTRUCTION MAY BE COMPLETED IN THREE AND ONE-HALF YEARS. BANGLADESH WILL GET \$135 MILLION A YEAR PLUS A 50 PERCENT SHARE OF AN ADDITIONAL \$120 TO 180 MILLION IN ANNUAL DIVIDENDS OVER THE TWENTY-YEAR LIFE OF THE PROJECT.

5. ROLE OF EMBASSY. AT DONALD WHITLEY'S REQUEST,

THE AMBASSADOR CALLED DCMLA MAHMOOD TO ASSURE HIM THAT ISC WAS A REPUTABLE US FIRM WITH EXPERIENCE IN THIS KIND OF OPERATION ELSEWHERE IN THE WORLD. IN ADDITION, THE EMBASSY SENT A LETTER TO PATROBANGLA PROVIDING DETAILS CONCERNING TSC EXTRACTED FROM DUN AND BRADSTREET AND THOMAS REGISTER.

6. NO PUBLICITY. THE US FIRM HAS REPEATEDLY STRESSED ITS STRONG INTEREST IN AVOIDING PUBLICITY UNTIL A FIRM CONTRACT IS SIGNED WITH THE BDG, FOLLOWING THE APPRAISAL OF THE BAKHRABAD GAS FIELD. THE FIRM WHSHES FIRST TO FORESTALL ANY JAPANESE INTEREST (THERE WERE NIBBLES FROM JAPANESE FIRMS IN 1974) AND TO AVOID ISC STOCK SPECULATION ON US AND EUROPEAN STOCK EXCHANGES. ASIDE FROM A VERY OBLIQUE REFERENCE BY DCMLA MAHMOOD (AT A PRESS CONFERENCE ANNOUNCING A NEW PETROLEUM COPERATION) TO COMPLETION OF THE APPRAISAL OF "TOTAL GAS

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DEPOSIT" IN NINE MONTHS, THERE HAS BEEN, REMARKABLY, TO DATE ABSOLUTELY NO PUBLICITY HERE AT ALL. WE HAVE ASSURED WHITLEY THAT WE WILL REPORT THIS POTENTIALLY IMPORTANT DEVELOPMENT IN A MANNER DESIGNED TO RESTRICT ITS USE TO USG OFFICIALS.

7. COMMENT. BOTH DEGOULYER AND MCNOUGHTON AND INTERNATIONAL SYSTEMS AND CONTROLS ARE WELL-KNOWN, HIGHLY REPUTABLE US FIRMS. ISC RECEIVES TOP RATINGS IN ALL THE STANDARD COMMERCIAL DIRECTORIES (E.G., DUN AND BRADSTREET). THIS INVESTMENT, IF IT MATERIALIZES, WOULD AMOUNT TO ONE-EIGHT OF PRESENT GDP AND INCREASE EXPORT EARNINGS BY AT LEAST 37 PERCENT ANNUALLY.

MASTERS

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Message Attributes

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